

ADDRESS TO INSURANCE INSTITUTE OF DUBLINBY DR. A.J.F. O'REILLYMONDAY 26TH SEPTEMBER 1988

THIS WEEK OLYMPICS FEVER IS GRIPPING THE FIVE CONTINENTS AS THREE BILLION PEOPLE WATCH ATHLETES FROM 160 NATIONS STRIVE FOR THE EXCELLENCE THAT WILL MAKE THEM THE BEST IN THE WORLD. BUT THERE IS ANOTHER "OLYMPICS" WHERE EXCELLENCE AND WINNING ARE CRUCIAL, NOT ONLY FOR NATIONAL PRIDE, BUT FOR SURVIVAL AND PROSPERITY. I REFER TO THE "OLYMPICS" OF INTERNATIONAL BUSINESS, ONE OF THE TOUGHEST AND MOST EXCITING COMPETITIONS WHICH USED TO BE PLAYED UNDER NATIONAL RULES BUT IS NOW EXPOSED TO THE UNSENTIMENTAL WINDS OF THE GLOBAL MARKETPLACE.

IN THIS WEEK, THEREFORE, IT MIGHT BE OPPORTUNE FOR IRISH PEOPLE TO ASK THEMSELVES THREE QUESTIONS: WHAT SHAPE IS IRELAND IN NOW? ARE WE GOING FOR GOLD? FINALLY, WHAT FURTHER MEASURES ARE NECESSARY SO THAT WE CAN SUCCESSFULLY COMPETE WITH THE BEST IN THE WORLD?

THE ANSWER TO THE FIRST QUESTION HAS TO BE DECIDEDLY POSITIVE. DURING THE PAST FORTNIGHT, I HAVE TRAVELLED IN THE UNITED STATES, AUSTRALIA, JAPAN AND EUROPE; THE WORD IS OUT AMONG BANKERS, BUSINESSMEN AND ANALYSTS THAT THE IRISH ECONOMY IS ON THE MEND AND RESPONDING WELL TO TREATMENT. I MET JAPANESE INVESTORS WHO NOW TALK OF DOING BUSINESS IN IRELAND AGAIN AFTER A NUMBER OF YEARS OF DOUBT ABOUT OUR PROSPECTS. THERE HAS BEEN A RESTORATION OF CONFIDENCE IN THE ABILITY OF IRELAND - ITS PEOPLE AND POLITICIANS - TO TAKE CONTROL OF ITS OWN DESTINY AND PAY ITS OWN WAY IN THE WORLD.

THE RETURN OF INTERNATIONAL CONFIDENCE HAS BEEN ACHIEVED BY TWO YEARS OF PATRIOTIC ENDEAVOUR BY IRISH MEN AND WOMEN; AND THE RESULTS OF THAT ENDEAVOUR ARE WHAT SO IMPRESS FOREIGN BUSINESSMEN AND INVESTORS BECAUSE THE FIGURES SPEAK LOUDER THAN ANY SALES PITCH. IN THE SPACE OF TWO YEARS, INFLATION HAS BEEN REDUCED TO 2%, INTEREST RATES HAVE DROPPED BY 6% TO BE AMONG THE LOWEST IN EUROPE, THE 1987 BALANCE OF PAYMENTS WAS IN SURPLUS FOR THE FIRST TIME IN 20 YEARS AND, MOST IMPORTANT, THE EXCHEQUER BORROWING REQUIREMENT IN 1987-88 HAS COME DOWN BY AN UNPRECEDENTED 6.5% OF G.N.P. DUE TO REDUCED GOVERNMENT EXPENDITURE. IN THE SAME PERIOD, NOTWITHSTANDING THESE AUSTERITY MEASURES, IRISH G.N.P. SHOWED AN ENCOURAGING GROWTH RATE OF OVER 7%.

THESE STATISTICS AMOUNT TO A TREMENDOUS SUCCESS STORY AND ONE OF WHICH WE CAN BE JUSTIFIABLY PROUD. I KNOW IT HAS NOT BEEN EASY AND THAT TIMES ARE HARD FOR MANY. I KNOW ALSO THAT FURTHER SACRIFICES WILL BE REQUIRED BEFORE THE DEBT/G.N.P. RATIO IS STABILISED. BUT IRISH PEOPLE ARE FORTIFIED IN THE KNOWLEDGE THAT AT LAST WE ARE ON THE RIGHT ROAD TOWARDS NATIONAL ECONOMIC STRENGTH AND INDEPENDENCE.

CREDIT MUST BE GIVEN TO THE GOVERNMENT FOR IMPLEMENTING THE POLICIES THAT MADE IRELAND'S ECONOMIC RECOVERY POSSIBLE. CREDIT IS ALSO DUE TO THE OPPOSITION FOR FACILITATING THESE POLICIES. ABOVE ALL, CREDIT TO THE PEOPLE OF IRELAND WHO, IN SUCCESSIVE POLLS, DEMONSTRATE THEIR SUPPORT FOR THESE CORRECTIVE MEASURES.

THIS BRINGS ME TO MY SECOND QUESTION: ARE WE GOING FOR GOLD? ARE WE NOW PREPARED TO BUILD ON OUR RECENT SUCCESS AND PUSH FOR EVEN GREATER PRODUCTIVITY AND COMPETITIVENESS? THE ANSWER LIES WITH BOTH THE GOVERNMENT AND THE PRIVATE SECTOR. IF GOVERNMENT POLICIES CONTINUE TO BUILD A CLIMATE FOR ENTREPRENEURIAL ACTIVITY, AND IF IRISH MANUFACTURING AND SERVICE INDUSTRIES "GET ON THEIR BIKES" IN RESPONSE, THEN WE CAN TAKE ON THE BEST IN THE WORLD.

THE GLOBE IN WHICH WE ARE GOING FOR GOLD HAS CHANGED DRAMATICALLY IN THE PAST TEN YEARS.

IN EUROPE, THE UNITED STATES, AND EVEN IN THE COMMUNIST WORLD, GOVERNMENTAL RESTRICTIONS ON TRADE AND ENTERPRISE HAVE BEEN ROLLED BACK. MONOPOLY CAPITALISM AND MONOPOLY STATISM ARE ON THE RETREAT. BUSINESS AND PRODUCTIVITY ARE FLOURISHING IN FRANCE, SPAIN AND ITALY, WHERE THE APPEAL OF COMMUNISM HAS SHRUNK DRAMATICALLY. THIS PATTERN IS REPEATED ACROSS THE WORLD. IN CHINA, THE GENERAL SECRETARY OF THE COMMUNIST PARTY HAS ASKED FOR BOLD ENTREPRENEURS TO COME FORWARD. IN THE SOVIET UNION, PERESTROIKA IS ENCOURAGING REFORMS AND A CONSUMER SOCIETY. IN AUSTRALIA, THE LABOUR GOVERNMENT HAVE ADOPTED WIDE-REACHING INCENTIVES FOR PRIVATE ENTERPRISE TO MAKE THAT COUNTRY COMPETITIVE WITH ITS SOUTH-EAST ASIAN NEIGHBOURS. IN THE UNITED STATES, MANUFACTURING COMPANIES ARE ONCE AGAIN COMPETITIVE WITH THE EAST AS WAGE RATES HAVE COME DOWN AND PRODUCTIVITY INCREASED.

THE OUTBREAK OF ECONOMIC REALISM IN ALL OF THESE COUNTRIES OWES MUCH TO THE CHILLY WINDS OF THE GLOBAL MARKETPLACE. CHEAP EASTERN IMPORTS RUSHING INTO EUROPE AND THE U.S. SINCE THE 1970S FORCED WESTERN ECONOMIES TO DECIDE WHETHER THEY WISHED TO BECOME COMPETITIVE ONCE AGAIN OR ACQUIESCE IN ECONOMIC AND SOCIAL DECLINE. MOST OF THEM CHOSE THE PAINFUL ROAD OF BECOMING PRODUCTIVE AND COST-COMPETITIVE, INCLUDING, MOST RECENTLY, IRELAND.

FURTHERMORE, THE CHALLENGES OF THE GLOBAL MARKETPLACE ARE INCREASING AS BARRIERS TO FREE TRADE ARE FURTHER ERODED. THE COMPLETION OF A FREE TRADE AGREEMENT BETWEEN CANADA AND THE UNITED STATES WOULD ESTABLISH A POWERFUL NORTH

AMERICAN MARKET OF 265 MILLION PEOPLE. THE COMPLETION OF THE EUROPEAN COMMUNITY'S INTERNAL MARKET IN THE EARLY 1990S WILL CREATE THE LARGEST SINGLE MARKET IN THE WORLD OF 320 MILLION PEOPLE. THIS WILL PROVIDE TREMENDOUS GROWTH OPPORTUNITIES FOR THE COUNTRIES AND COMPANIES THAT ARE PREPARED, BUT WILL CREATE NIGHTMARES FOR THOSE WHICH ARE NOT.

MY OWN COMPANY, THE H.J. HEINZ COMPANY, IS MAKING SERIOUS PREPARATIONS FOR THE 1990S. IT IS NOT INCONCEIVABLE, FOR EXAMPLE, TO THINK THAT IN PREPARATION FOR THE MEGA-MARKET OF POST-1992, THAT ALL HEINZ KETCHUP FOR EUROPE COULD BE SOURCED FROM ONE SINGLE LOCATION, PERHAPS SPAIN OR PORTUGAL. IN EFFECT, THE CHALLENGE WOULD BE TO MAKE HEINZ KETCHUP AS UBIQUITOUS A PRODUCT IN THE GLOBAL MARKETPLACE FOR CONDIMENTS AS, SAY COCA-COLA IS FOR SOFT DRINKS.

IT IS NOT INCONCEIVABLE THAT HEINZ WILL DEVELOP ONE SINGLE SEAFOOD LOCATION FOR THE EUROPEAN MARKET. OUR RECENT ACQUISITIONS IN SPAIN AND PORTUGAL ALREADY MAKE SOUTHERN EUROPE A MAJOR HEINZ MANUFACTURING CENTRE.

IT IS NOT INCONCEIVABLE THAT HEINZ-U.K., IF IT ACHIEVES ITS REVISED PRODUCTION AND COSTS TARGETS, WILL BECOME A MAJOR FOOD LOCATION FOR ALL OF WESTERN EUROPE. LAST JULY, I SPENT A WEEK IN OUR BRITISH FACTORIES, WHERE WE HAVE INVESTED £150 MILLION DURING THE LAST THREE YEARS. THERE I WITNESSED 900 SUBCONTRACTORS SPEAKING EIGHT LANGUAGES. TOGETHER, THEY WERE BUILDING A NEW PLANT WITHIN A PLANT.

THE PRODUCTION LINES THEY WERE CONSTRUCTING, WHERE MUCH OF THE TECHNOLOGY IS PROPRIETARY, NOW OPERATE AT PREVIOUSLY UNIMAGINABLE SPEEDS. THE SETTING IS FUTURISTIC, DESIGNED FOR THE NEEDS OF 21ST CENTURY EUROPE.

IN MANY WAYS, OUR HEINZ-U.K. EXPERIENCE CAN BE SEEN AS A MICROCOSM OF THE COMPANY'S WORLDWIDE POTENTIAL, A SORT OF LABORATORY WHERE THE MARRIAGE OF TECHNOLOGY AND HEINZ'S PROVEN SKILLS IN RECIPE DEVELOPMENT AND NUTRITION PROMISE HIGHER QUALITY AND LOWER COST FOODS FOR AN EVER WIDENING GLOBAL AUDIENCE.

ONE OF THE CHALLENGES THAT HAS TO BE MET, THEREFORE, AS THE 21ST CENTURY APPROACHES, IS HOW TO SOURCE GLOBALLY FOR INTERNATIONALLY RENOWNED PRODUCTS AND BRANDS. AT THE SAME TIME, WE MUST BE SURE TO NURTURE OUR MARKETING EXPERTISE AT REGIONAL AND NATIONAL LEVELS.

ONE OF THE MOST ENCOURAGING DEVELOPMENTS IN IRELAND DURING THE 20 YEARS I HAVE BEEN WITH THE HEINZ COMPANY HAS BEEN THE EMERGENCE OF IRISH COMPANIES ON THE WORLD STAGE. THE OWNERS AND WORKERS IN THESE ENTERPRISING COMPANIES HAVE SET NEW STANDARDS IN PATRIOTISM AS THEY SEEK NEW MARKETS AND NEW INVESTMENT IN A GRINDING GLOBAL MARATHON OF AUTOBAHNS, AIRPORTS AND DEPARTMENT STORES. THESE COMPANIES ARE LARGE AND SMALL, TOO MANY TO MENTION, BUT MOST OF THE NAMES ARE FAMILIAR TO YOU: SMURFIT, G.P.A., C.R.H., WATERFORD GLASS, GOODMAN, INDEPENDENT NEWSPAPERS, CREANS, BANK OF IRELAND, MASSTOCK, BORD BAINNE, KERRY GROUP, AER LINGUS, ALLIED IRISH BANK. THESE COMPANIES

HAVE PROTECTED THEIR IRISH SHAREHOLDERS AND EMPLOYEES FROM FOREIGN PREDATORS AND OVERCOME DISADVANTAGES OF GEOGRAPHY AND SCALE BY SUPPLEMENTING THEIR DOMESTIC OPERATIONS WITH NEW GROWTH ABROAD.

NOBODY IN IRELAND SHOULD CLAIM TO HAVE A MONOPOLY ON PATRIOTISM, BUT I SUGGESTED A SIMPLE DEFINITION EARLIER THIS YEAR: PATRIOTISM CONSISTS OF DOING A SUPERIOR DAY'S WORK FOR A FAIR DAY'S PAY. HAVING WORKED IN THE PUBLIC SECTOR FOR EIGHT YEARS OF MY LIFE IN IRELAND, I CAN SAY THAT MANY PEOPLE THEREIN DO LIVE AND WORK BY THAT SENTIMENT. BUT, SIMPLY BECAUSE THE INCENTIVE SYSTEM IS STRONGER AND THE MISSION STATEMENT LESS AMBIGUOUS, THERE ARE MANY MORE WHO DO LIKEWISE WITHIN WHAT IS QUAINLY CALLED THE PRIVATE SECTOR, DESPITE THE FACT THAT IT IS NOWADAYS SO LARGELY OWNED BY THE PENSION FUNDS AND INSTITUTIONS WHOSE ULTIMATE BENEFICIARIES ARE VERY MUCH OF THE PUBLIC SECTOR AS A WHOLE. BOTH SECTORS WILL NEED TO DISPLAY THEIR FINEST QUALITIES OVER THE NEXT FEW YEARS IF WE ARE TO SATISFY OUR AMBITIONS AS A NATION.

PATRIOTISM IS ALSO ABOUT PUTTING TOGETHER LARGE SUMS OF CAPITAL, AND THERE IS IN IRELAND AN INCREASINGLY BENIGN APPRECIATION AND A CONSTRUCTIVE APPROACH BY GOVERNMENT TOWARDS THE COLLATION OF CAPITAL AND THE TERMS BY WHICH THAT INTERNATIONALLY SCARCE COMMODITY IS ASSEMBLED IN EUROPE, BUT PARTICULARLY WITHIN IRELAND. THE DEVELOPMENT OF THE INTERNATIONAL FINANCIAL SERVICES CENTRE IS BUT ONE EXAMPLE OF THIS EXEMPLARY LEADERSHIP.

IRISH BUSINESSMEN'S REPUTATIONS ARE NOW SUFFICIENT - BE THEY TONY RYAN, MICHAEL SMURFIT OR LARRY GOODMAN - TO ATTRACT LARGE SUMS OF CAPITAL BECAUSE THEY KNOW THAT THE SKILLS OF THESE PEOPLE AND THEIR ASSOCIATED MANAGEMENT ALLOW THEIR CAPITAL TO BE REMUNERATED AT A RATE ABOVE THE MARKET NORM.

FITZWILTON REPRESENTS, IN MY VIEW, AN OPPORTUNITY IN THIS AREA. WE ARE PUTTING TOGETHER SUMS OF CAPITAL WHICH WE HOPE TO PUT TO WORK AT OPTIMAL RATES OF RETURN. WHAT ARE THESE RATES OF RETURN? WELL IT WOULD BE OBVIOUS THAT THEY ARE RATES OF RETURN THAT SUBSTANTIALLY EXCEED THE RELATIVELY RISKLESS FIXED INTEREST RETURNS THAT ARE AVAILABLE TO THE GENERAL BODY OF INVESTORS. AS SUCH, THEY IMPOSE THEREFORE CONSIDERABLE STRAINS ON ALL MANAGERMENTS, FITZWILTON INCLUDED, TO MAKE SURE THEY DO NOT OVER-PAY FOR TARGET COMPANIES IN THE HEAT AND EXCITEMENT OF THE ACQUISITION HUNT. THIS HEAT AND EXCITEMENT IS OFTEN GENERATED BY SIMPLE SPECULATION AND THE ABSENCE OF ALTERNATIVE NEWSWORTHY EVENTS WITHIN THE BUSINESS COMMUNITY. I WILL SAY NO MORE THAN THAT FITZWILTON WILL NOT BID FOR ASSETS OR COMPANIES WHERE WE BELIEVE WE CANNOT, OVER THE MEDIUM TO LONG-TERM, DELIVER ADEQUATE AND ACCEPTABLE RETURNS FOR OUR SHAREHOLDERS.

AT HEINZ, WE HAVE A REPUTATION FOR BEING LOW COST OPERATORS, AS WE CALL IT, BOTTOM FISHERS AND NOT OVER-PAYING FOR ACQUISITIONS. THIS MEANS THAT WE HAVE ALLOWED MANY ACQUISITIONS GO BY. I PROPOSE THAT A SIMILAR POLICY WILL BE EXECUTED BY THE FITZWILTON BOARD AND ITS



EXECUTIVE OVER THE NEXT FIVE YEARS. PUT ANOTHER WAY, IT IS MY VIEW THAT FITZWILTON HAS NO NEED TO DO WHAT HAS BEEN TERMED "THE BIG DEAL". I ALSO BELIEVE THAT, UNDER KEVIN MCGORAN'S ASTUTE GENERALSHIP, FITZWILTON IS RAPIDLY BUILDING UP A CADRE OF EXCELLENT MANAGEMENT WHICH WILL SUCCESSFULLY COMPETE IN THE RAPIDLY CHANGING AND EXPANDING MARKETS OF EUROPE AND THE WORLD.

FINALLY, WE MUST CONSIDER WHAT FURTHER MEASURES ARE NECESSARY TO SECURE IRELAND'S COST-COMPETITIVENESS IN THE WORLD. THE ACHIEVEMENT OF THIS OBJECTIVE WILL, IN TIME, ALLOW US TO CREATE THE JOBS THAT GENERATE THE EDUCATION, HEALTH AND SOCIAL WELFARE STANDARDS WE DESIRE. AN ESSENTIAL PART OF THIS IS TO CONTINUE WITH PRESENT POLICIES COMBINED WITH THE LEADERSHIP AND VISION THAT WILL INSPIRE NATIONAL ENTHUSIASM AND UNITY OF PURPOSE.

IT IS ESSENTIAL THAT IRELAND CONTINUES TO REDUCE ITS EXCHEQUER BORROWING REQUIREMENT, AND I WELCOME THE INDICATIONS TODAY THAT THE GOVERNMENT WILL BE SEEKING MAJOR CUTS IN PUBLIC EXPENDITURE IN THE BUDGET ESTIMATES. THIS SHOULD ALLOW THE INTRODUCTION OF MUCH-NEEDED INCENTIVES FOR IRISH WORKERS THROUGH TAX RELIEF. IRISH WORKERS NEED TO KNOW THAT THEIR EXTRA PRODUCTIVITY WILL MEAN REAL REWARDS. THESE REWARDS SHOULD ALSO BE SHARED WITH THOSE SECTIONS OF THE PUBLIC SERVICE WHICH ARE MAKING A SPECIAL CONTRIBUTION TO IRELAND'S GROWTH.

MOST IMPORTANTLY, WE MUST REMEMBER THAT THE OBJECTIVE OF THESE EXTRAORDINARY EFFORTS AND SACRIFICES IS TO MAKE IRELAND A BETTER PLACE FOR EVERYONE, AND MOST ESPECIALLY FOR ALL OUR CHILDREN. JOBS AND OPPORTUNITIES WILL TRANSFORM OUR ISLAND BUT THEY WILL NOT APPEAR OVERNIGHT. WHEN A COUNTRY IS BEING BADLY MANAGED, LOSS OF JOBS IS OFTEN THE LAST INDICATION OF DECLINE. WHEN IT IS BEGINNING TO EMERGE FROM THAT PERIOD, OFTEN THE LAST THING TO COME RIGHT IS JOBS. THE CHALLENGE NOW, AND ONE I AM COMMITTED TO MEETING IN IRELAND, IS TO CREATE LONG TERM, SECURE EMPLOYMENT.

IRELAND, AN ISLAND BEHIND AN ISLAND, HAS ALWAYS HAD TO TRADE TO SURVIVE, EVER SINCE THE FIRST TRADER - SETTLERS ARRIVED HERE 7,000 YEARS AGO. WE MUST NOW TRADE AND MARKET HIGH QUALITY PRODUCTS LIKE NEVER BEFORE. PERHAPS THE LAST WORD, THEREFORE, SHOULD GO TO OUR MINISTER FOR TRADE - SEAMUS BRENNAN. IN A RECENT ARTICLE IN THE NEW YORK TIMES WHICH WAS VERY UPBEAT ABOUT OUR ECONOMIC POLICIES, HE SAID: "ITS IRELAND INC. NOW, AND THAT'S THE WAY IRELAND IS GOING TO BE RUN, LIKE A BUSINESS FOR GROWTH".

ENDS

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